

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LEDBETTER WATER DISTRICT INVESTIGATION) CASE NO. 89-102

ORDER TO CEASE AND DESIST AND TO SHOW CAUSE

The Commission has information indicating that Ledbetter Water District ("Ledbetter") has implemented unauthorized tap-on fees. On January 16, 1989, the Commission's Executive Director wrote a letter to Ledbetter directing the district to immediately cease charging any unauthorized rates. (See Appendix A). On January 23, 1989, Ledbetter responded that only two unauthorized tap-on fees had been collected for a total of \$1,000. (See Appendix B). During a field investigation conducted by Commission Staff, Kevin L. Mason, public utility rate analyst, the office manager of Ledbetter, Ms. Brenda Durard, indicated to Commission Staff that Ledbetter did place into effect on January 1, 1989 the increased tap-on fee of \$500 prior to receiving Commission approval. She also represented that only two tap-on fees had been collected.

IT IS THEREFORE ORDERED that:

1. Ledbetter shall immediately cease and desist from charging any and all unauthorized fees or rates.
2. Ledbetter shall appear at a hearing scheduled for June 1, 1989, at 10:00 a.m., EDT, and be prepared to show cause why it should not be required to refund all unauthorized tap-on

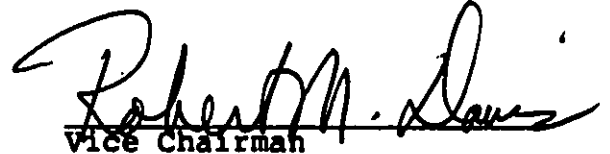
fees, and any other unauthorized fees, collected prior to receiving Commission approval or be otherwise fined pursuant to KRS 278.990, for violating provisions of KRS Chapter 278, including KRS 278.160.

3. In the alternative to the above-scheduled hearing, Ledbetter shall file with the Commission on or before May 25, 1989 a refund plan that includes: 1) a sworn signed statement listing all unauthorized fees collected specifying the name and address of the person paying the unauthorized fee; and 2) copies of cancelled checks or other documentation showing that each person has been refunded the amount of the unauthorized tap-on fee by Ledbetter.

Done at Frankfort, Kentucky, this 1st day of May, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 16, 1989

Mr. Ivus Crouch, Chairman
Board of Commissioners
Ledbetter Water District
P. O. Box 123
Ledbetter, Kentucky 42058-0123

Re: Ledbetter Water District

Dear Mr. Crouch:

This is in response to a November 21, 1988 letter you sent to James Mitchell of the state Division of Water regarding a rate change by the Ledbetter Water District. The Commission received a copy of the letter on December 5. You stated that the water district enacted a \$5.00 access fee (or surcharge) and raised tap-on fees to comply with an agreed order from the Environmental Protection Agency. This was done without Commission approval.

You are hereby advised that revising rates without prior Commission approval is a violation of state law, and such action may result in enforcement action against the district and/or you personally. You are directed to immediately cease charging any unauthorized rates.

I request you provide a written response to this letter by Wednesday, January 25. The response should include, at the minimum, the following:

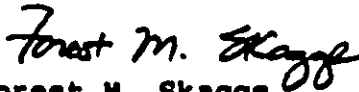
- a. The reasons why the rates were increased without proper notification to or approval from the Commission.
- b. A listing of all unauthorized rates. Identify each tariff which has been revised.
- c. The dates the unauthorized rates were placed in effect, and discontinued.

Mr. Ivus Crouch
January 16, 1989
Page 2

- d. The amount of revenues collected from charging these unauthorized rates.

If you have any questions, please contact me at 502/564-2473.

Very truly yours,


Forest M. Skaggs
Executive Director

hv

cc: James Mitchell

LEDBETTER WATER DISTRICT

P.O. Box 123
LEDBETTER, KENTUCKY 42058-0123
Phone 898-3236

January 23, 1989

FILED

JAN 25 1989

PUBLIC SERVICE
COMMISSION

Mr. Forest M. Skaggs
Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

Pen-m

Re: Ledbetter Water District

Dear Mr. Skaggs:

This is in response to your letter of January 16, 1989. At the May 4th regular District meeting GRW engineer was present to help the District decide what to do to comply with the "Agreed Order" received from EPA. On June 13th a public meeting was held with these people present:

the District Board of Commissioners
Plant Manager
District's Attorney
two GRW Engineers
Kentucky State Representative
Livingston County Judge Executive
WPSD TV News reporter and cameramen
approximately 100 customers of the District

The engineers discussed with the people the "Agreed Order" and the alternatives the Water District had at their disposal. Again July 18 an open meeting was held with the GRW engineer presenting figures and statistics of the alternatives with which the District must work. On September 13 another meeting was held with all the Livingston County water officials to discuss a better alternative than buying water from Paducah at an outrageous rate, and again at a special meeting September 19 all proposals for the Water District were again discussed and again discussed on October 17. At another special public meeting October 21 the two best proposals were presented again to the people of the community and the majority of the people agreed that to buy water from Grand Rivers was the better solution. Also 95% of the people polled by a phone survey agreed that to buy water from Grand Rivers was the best solution. At this time interviews with WPSD TV Station and newspaper reporters were conducted.

Below is a written response to each of your questions:

- a. The District was not aware that approval was necessary from PSC through the information we obtained. We were informed that since there were extenuating emergency circumstances, prior approval was not necessary. Also the \$5.00 surcharge per month for approximately one year would not have been a rate increase and would have been terminated once the project was paid. The purchase price for the water from Grand Rivers was perceived as a rate increase to pay the District's cost of the water, but once we became aware that it would be necessary, we notified the PSC immediately.
- b. The rates "proposed" were \$.0015 per gallon to cover the cost of the Grand Rivers water purchased. The \$5.00 surcharge per meter was not a rate increase but a charge to pay for the cost of the line and would only be for approximately one year.
- c. The rate increase and \$5.00 surcharge have never been placed in effect. We need these in effect as soon as possible as a note from the bank becomes due for repayment beginning March 21, 1989.
- d. As part of the contract and agreement between Grand Rivers and Ledbetter Water District, tap-on fees were raised beginning January 1, 1989 from \$300.00 to \$500.00. Two tap-ons have been sold for a total of \$1,000.00.

We have tried to do everything within the law according to the information given to us by knowledgeable people. Mr. Mark Frost of the Public Service Commission was contacted January 16, and he is to be in our office Thursday, January 26 to help us with a rate increase and inform us the proper procedures to be taken.

If you need further information, we will co-operate with you in every way.

Sincerely,



Ivus H. Crouch
Chairman
Board of Commissioners